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ABSTRACT

This paper addresses the development of a corporate/foundation relations program at a college or university. To provide background information on corporate and foundation philanthropy, the report lists 1984 contributions (in billions) by individuals, bequests, foundations, and corporations, along with the type of field/entity receiving the funds. It is suggested that liberal arts colleges will do better with foundations, while corporations are better for universities. Since 1979, contributions to education have been declining as a portion of total foundation giving. However, business philanthropy has generally been improving. While greater support by corporations is positive, there are three problems for development officers: greater competition for available dollars, greater accountability for those seeking funds, and increased need for volunteer efforts. Trends include the following: scientific and research programs continue to be favored targets of corporate support; corporate needs will increasingly dictate the programs they deem useful; companies are beginning to regard philanthropy as another kind of corporate investment, and companies are looking increasingly to public-private joint ventures. (SW)

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Developing a Foundation and Corporate Relations Program

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Introduction

It is an exciting time to be an academic administrator. The Chinese concept of crisis as a time of both danger and opportunity seems particularly appropriate.

While there are any number of issues related to academic administration, the four most urgent concerns for purposes of this presentation are:

1. Demographics (Source: H. Hodgkinson, All One System)

   -- By the year 2000, one-third of the population will be nonwhite and, in many of the large urban school districts, nonwhites will be the majority. In ten years, about ten states will have a "minority" majority.

   -- Families with a working father, a mother who stays home, and two or more school-age children now continue only 7 percent of the households in the U.S., in contrast to 60 percent in 1955. Only 40 percent of the children born today will grow up within the traditional two-parent family.

   -- The impact on higher education of the decline in the traditional college-age population is further affected by a declining high school graduation rate, particularly among minorities who are an ever-growing proportion of the total school-age population.

   -- Of today's 12 million college students, only about 2 million are full-time, in residence, and 18 to 22 years of age.

2. Attacks on the undergraduate curriculum

   A common theme among several reports is that while many students pile up course credits and earn degrees, they don't learn much of value. "Most colleges don't make you prove that you know anything when they give you a degree," says Chester E. Finn Jr., director of the Center for Education and Human Development at Vanderbilt University. "They certainly don't know whether you know anything more than you did when you started."

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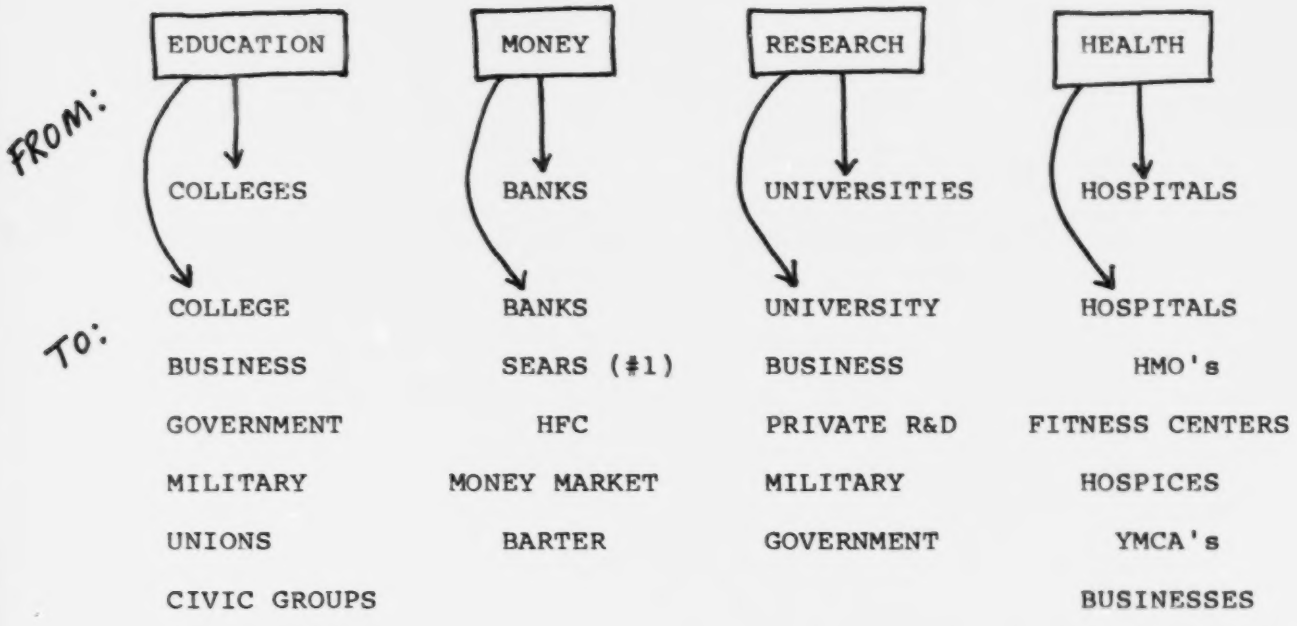
3. Tax reform proposals

   -- See Attachment A: American Council on Education Memorandum

4. Market disaggregation: functions now more specialized



These four together promise to have a chilling effect on philanthropy in America, and particularly on institutions which depend upon the voluntary support of foundations, corporations, alumni, parents and other friends.

At the same time there are encouraging signs. Less than two weeks ago I attended a conference in Miami Beach sponsored jointly by the American Council on Education and the Council for Financial Aid to Education. The conference theme was "Corporate/Campus Cooperation." Some of you may have attended.

Fred Nelson, Program Officer/Education at the Atlantic Richfield Foundation, (the largest corporate foundation in America) stated that at last year's meeting, he was one of the only corporate executives in attendance. Last month in Miami Beach nearly 20 percent of the participants were from the private sector.

Elements of Successful Programs

Effective programs take many forms, but each one is designed with both the institution and corporation in mind. Moreover, each involves interaction at several levels.

Successful corporate and foundations relations programs include many of the following:

- on campus recruiting
- internships and summer jobs
- faculty research opportunities
- executives-in-residence
- technical assistance
- matching gifts
- gifts-in-kind
- grants

Beginning a corporate/foundation relations program (liberal arts colleges will do better with foundations; universities with corporations) is not difficult, but it does take planning and a commitment from the institution. Four related sets of issues are involved: background on foundation/corporation philanthropy; philanthropic trends; campus concerns; the action agenda.

Understanding Corporate and Foundation Philanthropy

Fundraising in America today is a big business. It is a $65 billion business. Taken collectively, philanthropy is a bigger business than all but one of America's largest industrial corporations ranked by sales in the Fortune 500 listing. Only Exxon is a larger business. Even higher education taken as a segment of the overall education total (approximately $9 billion) is big business -- bigger than such companies as Coca-Cola and Texas Instruments.

The Philanthropic Pie

Total giving in 1984 = $74.25 billion

Contributions (in billions)		Contributions as Percent of Total	
Individuals	$61.55	Individuals	82.9%
Bequests	4.89	Bequests	6.6%
Foundations	4.36	Foundations	5.8%
Corporations	3.45	Corporations	4.7%

Religion	$35.56	Religion	47.9%
Health and Hospitals	10.44	Health and Hospitals	14.0%
Education	10.08	Education	13.5%
Social Welfare ..	8.01	Social Welfare	10.8%
Arts and Humanities	4.64	Arts and Humanities	6.2%
Civic & Public ..	2.08	Civic & Public	2.8%
Other	3.44	Other	4.7%

Source: American Association of Fund Raising Counsel (AAFRC) in Giving USA, 1984 Annual Report.

Note: The $75.25 billion figure for 1984 represents an increase of 11.1 percent over the 1983 figure of $64.93 billion and more than doubles the total contributed just seven years ago.

Trends in Foundation and Corporate Philanthropy

Educational institutions continue to be the primary recipients of foundation grants, receiving 33.9 percent of the dollars reported in 1983. This percentage represents, however, a significant drop from the 1982 level of 42.5 percent.

Despite slight increases in 1982, giving to education has been declining as a portion of total foundation giving since 1979. In 1983, education grants accounted for only 16 percent of the total foundation dollars reported (down from 22.4 percent in 1980), with the largest drop occurring in the area of general higher education.

Following a general pattern which began in 1980 foundations continue to place a strong emphasis on funding within the general welfare category--a category which now accounts for 28.4 percent of the total dollars and 34.1 percent of the total number of grants reported.

The nation's 100 largest foundations now account for 74 percent of the grant dollars awarded (however, these same foundations represent less than 2 percent of the total number of grantmaking foundations).

Significant changes are taking place in the area of corporate philanthropy. Partly out of a sense of public responsibility and party as a response to recent cutbacks in govenment programs and President Reagan's call for greater private sector involvement, business philanthropy, in general, has been improving. Between 1970 and 1980, annual giving by U.S. corporations rose 220 percent. Although for much of that period this did not represent an increase in terms of a percentage of corporate pre-tax income, in the last several years it has. Also, in recent years, corporate contributions exceeded those of foundations--something that we have not seen since the 1950's. These are both encouraging signs.

While an improved sense of social responsibility by corporations in America is good news, there are at least three problems for development officers:

1. greater competition for available dollars

2. greater accountability from those seeking funds

3. increased need for volunteer efforts

Nonprofit institutions, particularly colleges, universities and public school systems, are entering a new era in philanthropic relations between the educational and industrial sectors. Michael Radock of the Charles Stewart Mott Foundation quoted in the "Taft Corporate Giving Watch", June 1985 said the emerging trends are characterized by the following developments:

- Scientific and research programs continue to be favored targets of corporate support. Companies increasingly are giving huge grants to major universities and medical centers for highly sophisticated research projects. Many companies prefer to direct their support to "mother universities," the producers of Ph.D.s and future faculty members.

- "Quid pro quo" grants are becoming the norm. Corporate contributions officers are advising colleges and universities to approach them only when common identifiable interests are present, such as plant location, research activities, employee recruitment, or similar ties. Many companies are beginning to ask organizations to coordinate proposals and approaches so that different departments do not solicit different people.

- Corporations increasingly seek recognition for the different kinds of support they give to educational institutions -- not just for gifts of money but for research grants, matching gifts, equipment donations and consultations. Business has begun to respond to nonprofits' appeals with loans of public service and management talents.

- Corporate needs will increasingly dictate the programs they deem useful and fund. Forces driving this new economy are conservation, effective utilization and recycling.

Graham Finney, senior partner of The Conservation Company, indicates what motivates corporations to give. Some of the most important trends that Finney sees:

- Companies are beginning to regard philanthropy as another kind of corporate investment. Business is beginning to apply tests of nonprofit performance and to look at the ways a college's mission fits that of a company's.

- Corporations are beginning to select specific themes and concentrate their giving on programs more defined than health, education and welfare. These themes allow companies to be more assertive and proactive--to carve out a niche where they become recognized in relation to the chosen themes.

- Companies are looking increasingly to public-private joint ventures to leverage the impact of the nonprofit programs they support. This is especially true for companies giving to community development and human services projects.

Parenthetically, let me say that foundations are required by law to give away a certain percentage of their assets each year to retain their tax-exempt status. They are frequently "sold" based on the merit of an idea or program. Unlike foundations, corporations are not in the business to give money away (no pun intended). In fact, corporations are not charitable, charity means giving one's money away.

- Irving Kristol, of the Wall Street Journal, explains corporate responsibility. "When you give away your own money you can be as foolish, as arbitrary, as whimsical as you like--but when you give away your stockholders' money, your philanthropy must serve the long-term interests of the operation. Corporate philanthropy cannot be disinterested.

Let me try and summarize for you using material from William L. Pickett's speech at a Case District Conference.

1. Increasingly, the decision to make a corporate contribution is viewed as an investment decision. Corporate management defines the objectives to be reached by making corporate gifts, and then bases its philanthropic decisions on an estimate of how far a specific gift will go toward meeting those objectives. This means that your approach to corporations must focus on the corporations' objectives and that you must have a thorough knowledge of just what those objectives are. Your appeal should document how your project offers the best investment opportunity the corporation will find to achieve its particular philanthropic ends.

2. Remember that corporations do not do anything; people in corporations do things. So you must aim your impact at the individuals who make the decisions. You must not only know who those people are, and present your appeal to them as persuasively as possible, but you must also know how they will go about making their gift decision.

3. Be aware of the importance of your own chief operating officer - your president, executive vice president, etc. Your chances for a corporate gift seem to rise if your top person achieves visibility by taking on a leadership role in the community. In fact, some corporate executives admitted to me that their support was more for the executive and what the executive had done for the community than in recognition of any specific thing the nonprofit organization had done. Your ability to use your institution's public relations program to increase your top executive's visibility as a community leader can enhance your ability to attact corporate gifts.

4. The people I talked to agreed that the close involvement of top corporate executives in the affairs of a nonprofit organization is an important step in attracting corporate financial support. In other words, you must get on the personal agendas of the corporate leaders. So include them on your board, advisory councils, trustee committees (perhaps as non-trustee members), visiting committees, institutional planning groups, etc.

5. Finally do an effective job in recognizing corporate philanthropy once you've received it - not only recognizing the corporation as an entity, but also the executives and others who made the decision to support your institution.

Campus Concerns

So far we've talked a lot about the external environment ... about demographics, our critics, foundation and corporate priorities and the like. Now it's time to address the problem/challenge from the campus perspective. Simply stated the questions are: "Why should we initiate a program to increase foundation and corporate support? What are the advantages -- the disadvantages? How should we begin?"

The answer to the first question seems self-evident to me. Because it's in your own enlightened self-interest. Because the govenment is cutting back. Because you don't want to be so heavily dependent on tuition (i.e., at the mercy of the demographic data). Because it makes good sense educationally.

The advantages are also faily clear and can be summarized as follows: more money, more independence, more (better) education.

But there are disadvantages. At the risk of oversimplifying they translate into: politics, bureaucracy and dependency.

- Who identifies and establishes priorities?
- How does one successfully market the academic enterprise? To whom?
- Should the program be centralized i.e., in the development office, or decentralized?
- What role should/does the president play? What about faculty, volunteers, alumni, trustees?

- How does one educate the community re: foundation and corporate relations?
- How will these funds impact on the direction of the curriculum?

And there are more questions ... many more. But this process is essential if you are to develop an institutional commitment to the program.

Conclusion

In case you've not guessed by now, I wholeheartedly support a college's efforts to launch a foundation and corporate relations program. In fact I've been on four campuses this year to assist in such efforts. And having spent 12 years in academic administration as associate dean and assistant provost, I am well aware of the campus concerns.

However, last year Skidmore received $1.2 million from foundations and corporations. Without such support, it would not have been possible to mount the faculty and curriculum development projects currently in place, or to construct the computer center, the theater and the learning center.

It's not easy, but the benefits of establishing relationships with the private sector far outweigh the disadvantages. Moreover, at institutions like Skidmore, which are tuition driven, foundation and corporate support is essential to continue the kinds of programs/projects which are innovative and which make us more attractive to prospective faculty and students.

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